
EUROPEAN PARLIAMENT

Working Documents

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15 December 1982

DOCUMENT 1-976/82

REPORT

drawn up on behalf of the Committee on Economic and
Monetary Affairs

on the proposal from the Commission of the European
Communities to the Council (Doc. 1-550/82/part C -
COM(82) 402 final) for a fourteenth directive on the
harmonization of the laws of the Member States relating
to turnover taxes - deferred payment of the tax payable
on importation by taxable persons

Rapporteur: Mr Dieter ROGALLA

By letter of 27 July 1982, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 100 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a fourteenth directive on the harmonization of the laws of the Member States relating to turnover taxes - deferred payment of the tax payable on importation by taxable persons (Doc. 1-550/82/part C).

The President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs.

At its meeting of 22 September 1982, the Committee on Economic and Monetary Affairs appointed Mr Dieter ROGALLA rapporteur.

The Committee on Economic and Monetary Affairs considered the Commission's proposal and the motion for a resolution at its meeting of 1 December 1982 and unanimously adopted both texts.

The following took part in the vote: Mr Moreau, chairman; Mr Deleau, vice-chairman; Mr Rogalla, rapporteur (deputizing for Mr Walter); Mr Bismarck, Mr Bonaccini, Mr De Gucht, Mrs Desouches, Mr I. Friedrich, Mr Herman, Mr Petronio (deputizing for Mr de Goede), Sir Brandon Rhys Williams, Mr Schinzel and Mr Welsh.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a fourteenth directive on the harmonization of the laws of the Member States relating to turnover taxes - deferred payment of the tax payable on importation by taxable persons

The European Parliament

- having regard to the proposal from the Commission of the European Communities to the Council (COM(82) 402 final)¹,
 - having been consulted by the Council pursuant to Article 100 of the EEC Treaty (Doc. 1-550/82/part C),
 - having regard to the report by the Committee on Economic and Monetary Affairs (Doc. 1-976/82),
 - having regard to the result of the vote on the Commission's proposal,
- a. noting that the Commission's proposal may be seen both as complying with the European Parliament's repeatedly expressed wish and as an element in the broader programme drawn up by the Commission for establishing the internal market,
1. Points out that implementation of the proposal will produce undeniable administrative advantages both for taxable persons and for the authorities;
 2. Denies that implementation of the proposal will mean preferential treatment of imported goods at the expense of domestically produced goods, as asserted in some quarters; in actual fact it is a matter of placing imported goods, in accordance with the principles of the Treaty, on an equal footing with domestically produced products, which, in recent rulings of the Court of Justice, has been described as vital to the operation of the Common Market;
 3. Finds that the increasingly widespread use of electronic data processing, the assistance that national authorities afford one another with regard to exchange of information and collection of outstanding debts and the efficiency of the procedures used by the Member States' taxation authorities provide sufficient guarantees that implementation of the proposal will not encourage tax evasion;

¹ OJ No. C 201, 5.8.82, p. 5.

4. Acknowledges that implementation of the proposal might, in some Member States, result in deferment of payment, and this would have slight budgetary consequences; stresses, however, that this is merely a cash-flow problem which, in the transitional period, can be spread over two fiscal years and cannot, therefore, be regarded as significant compared with the administrative advantages and the benefit that industry and commerce and the whole European economy, and hence also the population and the consumer, would derive from implementation of the proposal;
5. Instructs its President to forward to the Commission and the Council, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENT

1. The European Parliament - at the instance of the Committee on Economic and Monetary Affairs - has repeatedly called upon the Commission during the last five years to submit a proposal amending Article 23 of the Sixth VAT Directive of 17 May 1977¹ in such a way that the Member States would no longer be allowed the option but would be required to include VAT on imports under the general provisions governing assessment and collection of value added tax.
2. The Commission's proposal may be seen as a move to comply with the European Parliament's viewpoint and as an element in the broader programme drawn up by the Commission to establish the internal market.
3. In its explanatory statement, the Commission points out that the usual rule at present is for the value added tax on imported goods to be paid at the time of importation but that this rule is departed from to a greater or lesser degree as more simplified procedures are available.

The greatest simplification, according to present information, has been carried out in the Benelux countries and the United Kingdom and, for non-Benelux trade, in Holland and Luxembourg. These Member States have used the option open to them by virtue of Article 23(2) of the Sixth Directive: the tax is not paid at the time of importation but is entered in the periodic return; the taxable person is entrusted with the responsibility of assessing, declaring and paying the tax due on importation and this responsibility falls within the scope of the obligations the taxable person has in respect of his normal accounts for value added tax on turnover.

¹ OJ No. L 145, 13.6.1977

According to present information, a less far-reaching simplification has been carried out in Denmark, West Germany, France, Ireland and Italy and, for non-Benelux trade, in Belgium. Under this arrangement, the obligation to settle tax payable on importation is deferred, usually for 30 days; it is the authorities who assess the amount of import tax payable, and this is paid to the customs authority and is subsequently deducted in the periodic tax return which the taxable person submits to the tax authorities.

4. As indicated in the reports by the Committee on Economic and Monetary Affairs on the customs union and the internal market, the committee is inclined towards a system whereby the system of assessment and payment of value added tax in respect of goods traded between Member States resembles as far as possible the system used for goods traded within one and the same Member State. A reduction in the differences between the rates of taxation in the Member States would naturally alleviate the difficulties involved in transition to a system of this type. The Committee on Economic and Monetary Affairs, however, is of the opinion that even with the present differences in rates of taxation, the authorities will have sufficiently effective means - given the increasingly widespread use of electronic data processing and with the aid of the rules on mutual assistance between the national authorities with regard to the exchange of information and collection of outstanding debts - to prevent the transition to the proposed new system resulting in a rise in the incidence of tax evasion.

In fact, it should be possible even now to establish completely free border transit for goods which are subject only to value added tax, that is no other specific taxes, monetary compensatory amounts, etc.

5. The Committee on Economic and Monetary Affairs agrees with the Commission's assertion in point 8 of the explanatory statement that implementation of its proposal will result in undeniable advantages both for taxable persons and for the authorities. The trouble the tax authorities will have in making new arrangements will be more offset by the simplified procedures that customs and border authorities will be able to employ (cf. point 11 of the Commission's explanatory statement).

6. Neither is the Committee on Economic and Monetary Affairs aware that any authority would deny the advantages and the benefit that industry and commerce and the whole European economy could derive from a change in procedure of this type. The objections to the proposal, however, are based on the following considerations:

- the risk of tax evasion would be increased,
- it would give imported goods an advantage as regards interest at the expense of national products,
- deferred collection of value added tax on imports would have an adverse effect on public revenue.

On the other hand, the fact that virtually all the Member States have already introduced certain simplifications may be regarded as confirmation that simplifications are necessary.

However, the Member States use different simplified procedures and they also differ as regards the guarantee required and the type of taxable person eligible to benefit from these simplified procedures. This confirms the desirability of introducing uniform rules in the Member States.

7. As stated above (point 4), it is the opinion of the Committee on Economic and Monetary Affairs that there is sufficient scope within the Commission's proposal to combat tax evasion. It should be noted here that the proposal precludes the possibility of the Member States requesting a guarantee. On the other hand, the taxable person must, before he can use the arrangement, obtain prior authorization from the tax office under whose jurisdiction he normally falls. If there is evidence that tax legislation is being violated, the authorization may be withdrawn.

Moreover, the arrangement covers only those goods intended for use in the taxable person's taxable business operations.

It should furthermore be stressed that the proposal in no way alters Member States' right to determine individually the general legal and administrative procedures for collecting and exercising control on turnover taxes.

8. As to the idea that imported products would be favoured, the Committee on Economic and Monetary Affairs feel that this is standing matters on their head. According to the principles of the EEC Treaty, the objective is to treat domestic products and products from other Member States identically; if it is held that imported products are being favoured through being placed on an equal footing with domestically produced products, the conclusion can only be that the provisions hitherto applying to payment of value added tax on imported goods were intended as an instrument for discriminating against imported goods. The result of this is - if we accept this line of thought - that the existing provisions for assessment of value added tax on imported goods are at variance with the spirit and the letter of the EEC Treaty.

9. The Committee on Economic and Monetary Affairs cannot deny that introduction of the new system may have consequences for the budgets of certain member States. However, the committee wishes to stress that what is involved here is a deferment of payment of tax: there is no question of Member States forfeiting a tax, though it may possibly not be paid in until the subsequent financial year. There is therefore a problem of cash-flow, a kind of 'one-off expense', which the Commission proposes (Article 2(2)) be spread over two fiscal years during the transitional period.

This counter-argument cannot therefore be considered sufficiently weighty when compared with the administrative advantages and the benefit industry and commerce and the whole European economy and therefore the citizens may derive from implementation of the Commission's proposal.